Annual Report
CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY
1949

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Ninety-sixth

ANNUAL REPORT

of the

BOARD OF DIRECTORS

of the

CHICAGO, BURLINGTON & QUINCY

RAILROAD COMPANY

For the year ended December 31, 1949

100 Years

Observance of Burlington's 100th Anniversary was launched with a Charter Day celebration at Aurora, February 12, 1949, and thereafter throughout the year "Burlington Days" were held at twenty-three important cities on the railroad. Public officials and civic organizations cooperated with railroad employes in reviewing accomplishments of the past, problems of the present, and plans for the future. A pamphlet history of the Company, "Milepost 100," was widely distributed, and early in the year "Granger Country," a pictorial history of Western development along the Burlington, was published. The Chicago Railroad Fair, continued through the 1949 season, enabled more than two and three-quarters million visitors to see many accomplishments of the railroad industry.

From the beginning the Burlington was located, planned, built, and run by men who were confident that under our incentive system of private enterprise the vast agricultural, mining, and industrial resources of the West would be developed, and that the railroad would be an important factor therein. On these two ideas they risked their time and money and, as John M. Forbes stated, "the projectors only underrated the pecuniary results of their work." Throughout the century of its operations the Burlington never defaulted on an obligation and, beginning in 1851, paid dividends on its capital stock every year except three when its Missouri lines were torn up during the Civil War. At the close of 1949 all of its bonds were selling above par.

The Company has lived through great wars and depressions; strikes, riots, and civil commotion; droughts, floods, fires, and other calamities. It always faced trouble with unfailing courage and self-reliance and with confidence and faith in the country. Burlington history reveals that railroading always has been a hard and strenuous business, but one in which good character and reputation may be built upon an earnest purpose to deal fairly with the public, with patrons, with communities served, with other railroads, with employes, and with those whose savings are invested directly and indirectly in the property. Past experience furnishes a guide for the future.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

DIRECTORS

Term Expires 1950

RALPH BUDD.....Chicago, Ill.
Retired President, CHICAGO, BURLINGTON & QUINCY RAILROAD CO.

CHARLES E. DENNEY.....St. Paul, Minn.
President, NORTHERN PACIFIC RAILWAY CO.

FRANK J. GAVIN.....St. Paul, Minn.
President, GREAT NORTHERN RAILWAY CO.

Term Expires 1951

EDWARD FLYNN.....Chicago, Ill.
Retired Executive Vice President, CHICAGO, BURLINGTON & QUINCY RAILROAD CO.

ELLSWORTH MOSER.....Omaha, Nebr.
President, U. S. NATIONAL BANK OF OMAHA

R. DOUGLAS STUART.....Chicago, Ill.
Vice Chairman, Board of Directors, THE QUAKER OATS CO.

Term Expires 1952

T. HENRY FOSTER.....Ottumwa, Iowa
Chairman of the Board, JOHN MORRELL & CO.

J. C. JAMES.....Chicago, Ill.
Executive Vice President and General Counsel,
CHICAGO, BURLINGTON & QUINCY RAILROAD CO.

H. C. MURPHY.....Chicago, Ill.
President, CHICAGO, BURLINGTON & QUINCY RAILROAD CO.

EXECUTIVE COMMITTEE

H. C. MURPHY.....CHAIRMAN

CHARLES E. DENNEY	FRANK J. GAVIN	R. DOUGLAS STUART
EDWARD FLYNN	J. C. JAMES	T. HENRY FOSTER

OFFICERS

H. C. MURPHY.....*President, Chicago*
J. C. JAMES.....*Executive Vice President and General Counsel, Chicago*
LAWRENCE R. CAPRON.....*Vice President, Traffic Dept., Chicago*
SAMUEL L. FEE.....*Vice President, Operating Dept., Chicago*
FRANK L. KARTHEISER.....*Assistant to President, Chicago*
FREDERICK E. SPERRY.....*Assistant Vice-President, Operating Dept., Chicago*
ARTHUR W. LAVIDGE.....*Comptroller, Chicago*
JOSEPH P. BLUM.....*General Purchasing Agent, Chicago*
BERT VICKERY.....*Treasurer and Assistant Secretary, Chicago*
EDITH JARVIS ALDEN.....*Secretary, Assistant Treasurer and Transfer Agent, Chicago*
ARTHUR D. McLANE.....*Assistant Secretary, Chicago*
WALTER McFARLAND.....*Assistant General Counsel, Chicago*
ELDON MARTIN.....*General Solicitor, Chicago*
RALPH C. SMITH.....*General Auditor, Chicago*
HERBERT R. CLARKE.....*Chief Engineer, Chicago*
RICHARD W. COGLAN.....*Transfer Agent, Chicago*
NICHOLAS STOCKHAMMER, HARRY F. SMITH.....*Fiscal Agents, 2 Wall Street, New York*
GRACE W. WINTERS, HELEN A. STORCH.....*Transfer Agents, 2 Wall Street, New York*
STATE STREET TRUST COMPANY.....*Fiscal Agent and Transfer Agent, State and Congress Streets, Boston*

The above were Directors and Officers as of December 31, 1949.

Highlights of Operations

	1949	1948	Decrease
Operating Revenues (Page 17)	$217,996,508	$241,363,651	$23,367,143
Operating Expenses (Page 17)	$167,265,649	$167,888,010	$ 622,361
Operating Ratio (Page 17)	76.73%	69.56%	7.17% †
Available for Fixed Charges	$ 21,230,576	$ 33,889,549	$12,658,973
Fixed Charges (Page 17)	$ 5,811,084	$ 5,807,849	$ 3,235†
Times Fixed Charges Earned	3.65	5.84	2.19
Total Taxes (Page 17)	$ 26,192,248	$ 35,912,048	$ 9,719,800
Net Income	$ 15,419,492	$ 28,081,700	$12,662,208
Dividend Paid	$ 8,541,935	$ 11,958,709	$ 3,416,774
Taxes per Share of Stock	$ 15.33	$ 21.02	$ 5.69
Net Income per Share of Stock	$ 9.03	$ 16.44	$ 7.41
Dividend Paid per Share of Stock	$ 5.00	$ 7.00	$ 2.00
Average Number of Employes (Includes part time employes)	29,643	31,808	2,165
Total Wages	$104,012,754	$105,138,275	$ 1,125,521
Revenue Ton Miles	15,250,053,912	18,357,883,561	3,107,829,649
Revenue Passenger Miles	757,891,351	870,789,827	112,898,476
Miles of Road Operated–end of year	8,873.16	8,713.70	159.46†
Total outstanding Funded Debt including Equipment Obligations (Page 24)	$182,213,786	$182,208,867	$ 4,919†

† Increase

Report for the Year Ended December 31, 1949

Freight Traffic

The revenue tons carried in 1949 decreased 15.86 per cent and revenue ton miles 16.93 per cent compared with 1948. The average revenue per ton mile increased from 1.086 cents in 1948 to 1.179 cents in 1949 or 8.56 per cent.

Source of Freight Traffic

	1949 Revenue #	Per cent of Total	Per cent Change from 1948
Products of Agriculture	$ 45,262,192	23.71	3.06 Increase
Animals and Products	14,466,113	7.58	6.15 Increase
Products of Mines	32,913,085	17.24	30.24 Decrease
Products of Forests	11,741,616	6.15	5.29 Increase
Manufactures and Miscellaneous	72,371,776	37.91	9.58 Decrease
Forwarder Traffic	3,400,641	1.78	4.18 Decrease
Less Carload Freight	10,766,893	5.63	23.67 Decrease
Total	$190,922,316	100.00	10.60 Decrease

Gross Freight Revenue, stated without adjustments for absorptions or corrections which reduce total freight revenue to $179,802,953.

Passenger Traffic

Passenger revenue in 1949 amounted to $17,818,681, a decrease of $2,380,171 or 11.78 per cent compared with 1948, and the decrease in passenger train miles was 5.11 per cent. Exclusive of commutation traffic, the number of revenue passengers carried decreased 1,068,540 or 19.60 per cent and passenger miles decreased 110,625,858 or 14.27 per cent under 1948.

The average distance traveled per passenger, exclusive of commutation, was 151.7 miles, an increase of 9.4 miles over 1948, and the average revenue per passenger mile was 2.48 cents as compared with 2.44 cents in 1948.

Mail revenue in 1949 was $8,493,764, an increase of 7.90 per cent over 1948, and express revenue in 1949 was $2,898,039, a decrease of 33.58% under 1948.

Rate Changes

Freight

The Interstate Commerce Commission authorized certain interim increases effective January 11, 1949, averaging about 5.2 per cent. The Commission authorized increases effective September 1, 1949, in lieu of the former interim increases, of 8 per cent west of the Missouri River and 9 per cent east of the Missouri River, except that in Illinois 10 per cent was authorized. On inter-territorial traffic between Eastern and Southern territories and Western territory the authorized increase was 9 per cent.

Mail

The original petition in the Mail Pay Case was filed February 19, 1947, and an interim increase of 25 per cent was granted, effective February 19, 1947. A motion filed March 31, 1949, seeking a further interim increase of 35 per cent, was denied. An amended petition was filed with the Interstate Commerce Commission December 30, 1949, requesting an overall increase in mail pay rates of 95 per cent over those in effect on February 18, 1947. The Commission has indicated that hearings on the pending petition probably can be held beginning in September, 1950.

Unusual Incidents Affecting Revenues and Expenses

Starting on January 3, 1949, and extending throughout the months of January and February, the heaviest blizzards in recent years seriously interfered with operations on the western lines. Approximately $1,000,000 was spent to keep the lines open for operation and the loss in revenue during this period was about $5,000,000.

The work stoppage and the three-day work week in the mining industry reduced revenues by approximately $9,000,000 and increased operating expenses due to the necessity for purchasing coal at much higher prices during the shortage.

Three important bridges were out of service for substantial periods during the year due to unusual incidents. November 7, 1948, a tow barge loaded with coal ran into one of the main piers of the Quincy, Illinois, Mississippi River bridge, knocking the bridge out of line and damaging the pier so that replacement was necessary. Traffic was detoured around the bridge until it was re-opened February 8, 1949. On April 19, 1949, another barge hit this same bridge, but damage in this case was slight. September 13, 1949, a bridge near Orchard Farm on the St. Louis-Hannibal line was almost completely destroyed by fire. Traffic was detoured for a period of approximately eight days. October 15, 1949, a freight train wreck on a high bridge over the Grand River near Thayer, Iowa, damaged the bridge so that it had to be rebuilt. Traffic was detoured until October 28, 1949, and the delays in making detours resulted in some traffic being diverted to other railroads.

Sleet storms, snow, and high winds during January, March, April and December 1949 caused extensive damage to communication lines, the cost of repairs being substantial.

Maintenance of Property

Throughout the year, on the lines subject to severe flood damage, extensive remedial work was done raising grades and bridges, changing channels, placing riprap, and restoring and raising dikes.

Some of the major maintenance work performed in 1949 was as follows:

45.58 miles of track relaid with 129-pound T.R. rail.
162.12 miles of track relaid with new 112-pound T.R. rail.
26.82 miles of track relaid with secondhand 90, 100 and 110-pound rail.
789,359 new creosoted cross ties placed in track.
747,331 cubic yards of ballast applied.
7,831 freight cars given general repairs.

Improvements

Net capital expenditures in 1949:

Road		$ 6,673,541
Equipment		15,484,122
General	Cr.	62,516
Total		$22,095,147

Road

Major improvements completed during the year:

Construction of two-story brick yard office, St. Joseph, Mo.
Rearrangement of freight yards and building improvements, North Kansas City, Mo. and Daytons Bluff, Minn.
Curve reduction and grade raise, Kissinger, Mo.
Grade raises, Mark and Amazonia, Mo.
Line changes, Clarence to Bevier, Mo., and Chillicothe, Frederic, and Avery, Iowa.
Addition to warehouse, Peoria, Ill.
Centralized Traffic Control, Balfour to Council Bluffs, Iowa (U. P. Transfer).
Replacement of telegraph equipment, Omaha, Nebr. to Denver, Colo.
Improvement of mail handling facilities, Omaha, Nebr.
Changed tunnel to open cut, Arminto, Wyo.
Purchase from Western Union of 7,676 miles of copper wire on Burlington poles.

Improvements started during the year not yet completed:

Cut-off Brookfield to Kansas City, Mo.
Improvements to enginehouse, Aurora, Ill.
Construction of freight house No. 10, Chicago, Ill.
Construction of 3.30 miles of spur track, Waltonville, Ill.
Rearranging trackage, U. P. Transfer, Council Bluffs, Iowa.
Raising grade and bridge, Callao, Mo. and Watson, Mo.
Centralized Traffic Control, Ravenna to Alliance, Nebr.
Subway improvements, Crawford, Nebr.
Construction of brick passenger and freight station, Worland, Wyo.

Equipment

Built in Company Shops:

460	70-ton steel hopper cars.
250	70-ton steel ballast cars.
100	50′ 6″ steel sheathed box cars.
500	40′ 6″ steel frame stock cars.
200	16M gallon steel tank cars.

Built by Burlington Refrigerator Express Company:

298	33′ 2″ 50-ton refrigerator cars.

Purchased:

2	New parlor cars.
45	Sleeping cars from Pullman Company pool.
1	6000 h.p. Diesel-electric freight locomotive.
1	4000 h.p. Diesel-electric passenger locomotive.
11	2000 h.p. Diesel-electric passenger locomotives.
2	2250 h.p. Diesel-electric passenger locomotives.
13	2000 h.p. Diesel-electric combination freight and switch locomotives.
1	1000 h.p. Diesel-electric switch locomotive.
35	30-yard steel air dump cars.
2	Ballast spreaders.
3	Clamshells.

On Order, Delivery Expected in 1950:

To be built in Company Shops:

30	Baggage cars.
300	53′ 6″ 50-ton steel flat cars.
50	65′ 70-ton steel gondolas.
1,400	40′ 6″ 50-ton steel box cars.
600	70-ton steel hopper cars.
200	70-ton steel, covered hopper cars.

To be built by Burlington Refrigerator Express Company:

2	33′ 2″ 50-ton refrigerator cars.

To be Purchased:

30	New double-deck stainless steel suburban coaches.
5	2250 h.p. Diesel-electric passenger locomotives.
1/3	Interest in new rotary snow plow (CB&Q-NP-UP).

Additional Equipment Authorized February 8, 1950:

To be Purchased:

9	2250 h.p. Diesel-electric passenger locomotives.
4	4500 h.p. Diesel-electric passenger locomotives.
3	4500 h.p. Diesel-electric freight locomotives.
4	1500 h.p. Diesel-electric freight locomotive cab units.
20	1200 h.p. Diesel-electric switching locomotives.

Wages

As a result of recommendation by a Presidential Emergency Board, carriers' committees and a non-operating unions' committee executed an agreement establishing a 40 hour work week effective September 1, 1949, and increasing wages 7 cents an hour retroactive to October 1, 1948.

The demand of the Brotherhood of Locomotive Engineers for a second engineer on Diesel-electric locomotives and a similar demand

from the Brotherhood of Locomotive Firemen and Enginemen for a second fireman on Diesel-electric locomotives were rejected by Presidential Emergency Boards.

On April 29, 1949, an agreement between carriers' representatives and representatives of the transportation brotherhoods was entered into granting an increase in vacation from seven days to fourteen days for employes with five years or more service. The formula for the vacation payment is computed at 1/26 of annual compensation for the preceding year or twelve minimum basic days, whichever is the greater; for employes entitled to seven days vacation 1/52 of annual compensation in the preceding year or six minimum basic days.

Notice was served on the railroads March 15, 1949, by representatives of the Order of Railway Conductors and Brotherhood of Railroad Trainmen for general rule changes including a 40-hour work week for employes in yard service with retention of 48 hours' pay, expenses while away from home, and various changes in working rules and pay for the purpose of obtaining more money for the same or less work. (A Presidential Emergency Board commenced hearings on this demand at Chicago March 2, 1950.)

Similar requests for a 40-hour week for firemen and engineers in yard service have been received.

Agriculture

During 1949 less favorable weather conditions and a heavy infestation of corn borers in states served by the Burlington reduced aggregate production of farm crops below that of 1948. Corn production decreased 11.8 per cent but was 21 per cent greater than the ten-year 1938-1947 average. Oats decreased 14.3 per cent, all wheat 15.9 per cent, and barley 28.6 per cent. Potatoes were down 12.5 per cent, but sugar beets loaded on the line increased 19.1 per cent due to favorable conditions in producing areas. Soybeans gained 4.6 per cent. Hay and forage crops were good except in limited drought areas. The number of cattle and calves increased 1.1 per cent and swine 7.8 per cent but sheep continued a downward trend by a further decrease of 4.0 per cent. Farm income, due principally to reduced prices for swine, poultry products and grain, declined 12.7 per cent.

Stocks of grain in interior mills and elevators in C. B. & Q. states at the close of the year increased sharply, reflecting the growing surpluses of these products and more than offsetting a slight reduction in stocks of grain held on farms. Stocks of wheat in these mills and elevators increased 17.2 per cent, corn 512.6 per cent, and oats 26.7 per cent. Acreage seeded to winter wheat in the fall of 1949, for harvest during 1950, compared with that seeded in the fall of 1948, decreased 15.1 per cent, largely due to Governmental acreage restrictions; however, this acreage still exceeded the ten-year 1938-1947 average by 9.9 per cent. Except for limited dry areas in north-

ern Colorado and eastern Wyoming, winter wheat was reported to be well rooted and in good condition at the close of the year. Numbers of cattle on feed on January 1, 1950 were 3.4 per cent greater than the previous year, but sheep declined 5.1 per cent and were 40.3 per cent below the ten-year average. Irrigation water supplies are reported to be ample in most districts but somewhat meager in the lower levels of the Platte River water shed and in the Black Hills.

Soil Conservation and Irrigation

Development of irrigation in Burlington territory by the Reclamation Service is progressing, but there has been a decrease in proposed Governmental appropriations covering expenditures for the coming fiscal year on the eleven projects in areas served by Burlington. Federal appropriations for the fiscal year ending June 30, 1950, were $113,175,000; proposed expenditures for the succeeding year are $83,644,000. The Company continued to cooperate with the Soil Conservation Service and other agencies improving agricultural conditions.

Industrial

During the year, 401 new industrial leases on company property were executed and 277 cancelled, a net increase of 124. Fifty-seven new industries located on private property available to Burlington service and 24 expanded their plants; 55 new industrial tracks or track extensions were built and 8 temporary contractors' tracks were installed.

New Passenger Equipment and Service

On March 20, 1949, the new California Zephyr trains were placed in service by the Burlington, Denver & Rio Grande Western, and Western Pacific. Each of these new trains, with five Vista Dome cars, provides a daylight ride through the Colorado mountains and through the Feather River Canyon. They have been very well patronized.

Two new parlor cars with 28 revolving and reclining parlor chairs and a drawing room were received during November and operate between Chicago and Minneapolis in Empire Builder train No. 49 and Morning Zephyr train No. 22.

Both Denver Zephyr trains were shopped, completely renovated, and restored to service by May 1949. These trains had not previously been given a major overhauling since placed in service in November 1936. Each train had traveled more than four and one-half million miles. Thorough inspection of the underframe and basic parts of the cars showed no noticeable deterioration and proved the stability of stainless steel construction.

During the year the program for improvement of suburban equipment and dieselization of the suburban service resulted in placing in service thirty-nine all-steel suburban coaches which had been modernized and air conditioned in the Aurora Shops (forty more are being

turned out at the rate of one a week). Five new Diesel-electric locomotives were delivered and placed in service in December, 1949 (five more in January, 1950). The thirty new stainless steel gallery type cars, under construction during 1949, are scheduled for deliveries in 1950.

New Kansas City - St. Louis Line

For many years the Burlington has labored under a serious handicap in competing for freight between Kansas City and St. Louis with railroads having much shorter routes. Effective September 26, 1949, the Company began to operate its through freight trains between Kansas City and Francis, Missouri, 158 miles, under trackage rights over the line of the Gulf, Mobile & Ohio, and thence over its own tracks via Old Monroe to St. Louis and to East St. Louis. The saving in distance, approximately 65 miles, places the Burlington upon an equality with other short routes between the Kansas City and St. Louis gateways. This change in handling Kansas City-St. Louis traffic also has enabled the Company to give better and faster service via St. Joseph and Brookfield between points north and west of St. Joseph and the St. Louis gateway. The improved service has checked the gradual loss of competitive traffic and has resulted in a substantial increase in business on the Kansas City-St. Louis and St. Joseph-St. Louis lines. (See map, page 31.)

The train performance over the new route has been very satisfactory. Connections with trains of other carriers were made in all but eleven instances out of a total of 388, or 97.2 per cent.

New Missouri Line

The Burlington's present route between Kansas City and Chicago is 478 miles for freight and 490 miles for passenger service, and the portion of the line between Birmingham and Cameron Junction, Missouri, has sharp curves and steep grades. Competing routes vary from 450 miles to 588 miles. Burlington is now shortening its route about 22 miles, to 456 miles for freight and 467 miles for passenger service. This will be done by using its present line from Kansas City to Birmingham, 12.06 miles; trackage rights over the Wabash 16.05 miles to Missouri City Junction; the 42.58 mile line of Burlington's wholly-owned subsidiary, the Kansas City and Brookfield, now under construction, to Tina Junction; and thence 28.24 miles over Burlington's Carrollton branch, which is being completely rehabilitated, to a connection with its present line at Needles Junction, 2.81 miles west of the Brookfield depot.

Work on the new Missouri line started the latter part of November and will be completed before the close of 1951. As the line will be not only shorter but much better than the present line between Kansas City and Brookfield, Burlington will be able to provide the public with substantially better service. (See map, page 31.)

Line Abandonments and Track Changes

On August 1, 1949, the line from Republican, Nebraska, to Long Island, Kansas, 15.19 miles, was abandoned and on the same date

operation was started over a new line from Flynn, Nebraska, to Long Island, Kansas, 12.41 miles. This change was necessary because of Government flood control work on the Republican River. The cost of the new line was borne by the Federal Government.

On February 1, 1949, the Interstate Commerce Commission authorized abandonment of the branch line between Clearmont, Missouri, and Shambaugh, Iowa, 10.42 miles, effective March 31, 1949. This line had not been in service since June 1947 when it was extensively damaged by floods.

Application was made to the Interstate Commerce Commission March 14, 1949, for authority to abandon the line from Kirksville, Missouri, to Green City, Missouri, 23.43 miles. (Authority was granted effective March 22, 1950.)

The Interstate Commerce Commission authorized C. B. & Q. to abandon free towage service on the Ohio River between Metropolis, Illinois, and Paducah, Kentucky, 12 miles, effective September 9, 1949. However, the Commission declined to permit abandonment of certain incline and storage tracks and cradles on the north bank of the Ohio River at Metropolis, used for interchange of traffic between rail and water facilities.

Passenger Trains Discontinued

The Illinois Commerce Commission authorized discontinuance of the following gasoline motor passenger trains:

Date of order	Trains	Between
January 4, 1949	7–10	Galesburg-Quincy, Ill.
January 4, 1949	190–191	Galesburg-Rio-Monmouth-Rushville, Ill.
May 12, 1949	41–42	Rochelle-Rockford, Ill.
July 26, 1949	14–19	Streator-Zearing, Ill.

The Public Service Commission of Missouri, by order dated September 9, 1949, authorized discontinuance of the last passenger motor trains, Numbers 7 and 8, between Cincinnati, Iowa, and LaClede, Missouri.

The Nebraska State Railway Commission, on July 15, 1949, denied application to abandon passenger train service, Numbers 151 and 152, in Nebraska on the Holdrege-Sterling line between Holdrege and Venango (the Nebraska-Colorado state line). (Reversed by the Nebraska Supreme Court, February 9, 1950, and in an order dated March 31, 1950, the Nebraska State Railway Commission authorized discontinuance of these trains. The Colorado Commission authorized, January 5, 1950, abandoning that portion of this passenger service in Colorado between Sterling and Holyoke, the last town in Colorado.)

The Nebraska State Railway Commission, on October 28, 1949, also denied application to abandon the last passenger trains, Numbers 15 and 16, between Lincoln, Nebraska, and the Nebraska-Iowa state

line at the outskirts of Sioux City, Iowa. (Reversed by the Nebraska Supreme Court, February 9, 1950, and in an order dated March 6, 1950, the Nebraska State Railway Commission authorized discontinuance of these trains.)

The Public Utilities Commission of South Dakota, on August 27, 1949, authorized discontinuance of passenger trains Numbers 141 and 142 between Edgemont and Deadwood, South Dakota.

During the year, passenger trains making a total of 566,116 miles a year were discontinued or consolidated with other trains.

Electric Snow Plow

An electric rotary snow plow designed for use with Diesel locomotives was built in the Denver Shops. Some of the advantages of the electric plow compared with the older types are that it is more powerful, can be used for longer continuous periods without stopping for water and fuel, is relatively unaffected by severe cold weather, and can be operated more economically.

Financial

During 1949 the capital liabilities of the Company increased $4,919.

Funded Debt	$2,234,000 Decrease
Equipment Obligations	2,238,919 Increase
Total	$ 4,919 Increase

The annual interest charges on funded debt decreased $980.

Taxes

Tax accruals in 1949 of $26,192,248 were $9,719,800 less than in 1948:

	1949	Increase or Decrease
Federal income taxes	$10,772,528	$10,702,725 Decrease
Federal Railroad Retirement and Unemployment taxes	5,919,573	14,533 Decrease
State and other Government taxes	9,500,147	997,458 Increase
Total	$26,192,248	$ 9,719,800 Decrease

Total taxes in 1949 amounted to 12.01 per cent of total operating revenue, equivalent to $15.33 a share of capital stock.

Dividends

Net income amounted to $9.03 a share of capital stock. Dividends totaling $5.00 a share were paid in 1949, the eighty-eighth consecutive year in which the Company has paid a dividend.

Illinois Northern Railway Acquisition

Pursuant to authorization by the Interstate Commerce Commission, this Company, together with the Santa Fe, Pennsylvania, and New York Central acquired control of the Illinois Northern Railway, a

switching line operating in Chicago, through stock ownership as follows: Santa Fe 51 per cent, Burlington 25 per cent, and Pennsylvania and New York Central 12 per cent each.

Burlington Truck Lines, Inc.

During the year, Burlington Truck Lines, Inc., a wholly-owned subsidiary of Burlington, operated 5,398,363 truck miles over 4,952 route miles at a net gain of $327 compared with a loss of $15,164 in 1948.

In 1949 the Company acquired 23 new tractors and 31 new semi-trailers.

Valier Coal Company

Valier Coal Company (a wholly-owned subsidiary of the Railroad Company) was organized to mine coal solely for railroad use and was not authorized to sell coal commercially. Increased use of Diesel-electric locomotives, and increased efficiency of steam locomotives, have steadily reduced consumption of coal produced at Valier so that mining operations were down to about three days a week, with further reductions in prospect. Such part-time operation of a large coal mine is inefficient and costly and, accordingly, operation of the mine was discontinued in August, 1949. By agreements dated August 15, 1949, the Coal Company contracted to sell the Valier mine, and lease all its coal in the No. 6 seam contiguous to the mine, to Old Ben Coal Corporation. The sale and lease were approved by the Illinois Commerce Commission and are to become effective upon completion of a new cleaning plant to be constructed by Old Ben Coal Corporation at the Valier mine on or before August 15, 1952, whereupon the mine will be placed in operation as a modern commercial mine.

Colorado and Southern Lines

April 29, 1949, the Special Court having jurisdiction over the Colorado and Southern Plan of Adjustment decided that the Federal Government could not collect asserted deficiencies in Income and Excess Profits taxes for the years 1942 and 1943. October 17, 1949, the Supreme Court of the United States denied the Government's application for certiorari. Successful termination of this litigation enabled Colorado and Southern to resume debt reduction under the Plan of Adjustment. Pursuant to orders of the Special Court, the Colorado and Southern purchased $3,510,000 principal amount of its Refunding and Extension Mortgage Bonds from Reconstruction Finance Corporation, and The Wichita Valley Railway Company purchased $500,000 principal amount of said bonds from Reconstruction Finance Corporation, reducing Colorado and Southern's indebtedness to Reconstruction Finance Corporation as of December 31, 1949, to $13,000,000. Of the bonds so purchased, $2,000,000 principal amount have been pledged with R. F. C. as additional

collateral in substitution for an equal principal amount of Chicago, Burlington & Quincy Railroad Company General Mortgage 4% bonds, pursuant to Court Order of December 21, 1949.

Fort Worth and Denver City Railway Company paid $1,260,000 on its note held by Reconstruction Finance Corporation, which reduced the balance of the note as of December 31, 1949, to $6,000,000.

The Special Court also authorized Fort Worth and Denver City to expend up to $1,250,000 in the purchase of Colorado and Southern General Mortgage Bonds. (Fort Worth and Denver City purchased on publicly advertised tenders $1,851,000 principal amount of these bonds in January and February 1950, all of which were pledged with Reconstruction Finance Corporation as additional collateral security for the obligations of both Fort Worth and Denver City and Colorado and Southern to Reconstruction Finance Corporation.)

Employe Benefits

The Relief Department paid out $768,323 during the year in disability and death claims to 5,545 employes.

Safety Award

The Chicago, Burlington & Quincy Railroad received the 1948 E. H. Harriman Memorial Gold Medal Award for having the best safety record among Class A railroads. The award is based on Interstate Commerce Commission records which showed, among other safety achievements, that the Burlington hauled more than 11 million passengers in 1948 without a single fatality or reportable injury due to a train accident. In addition, The National Safety Council presented Burlington on its Centennial Anniversary an "Award of Honor for Exceptional Service to Safety."

Chicago Railroad Fair

The 1949 Chicago Railroad Fair, which opened June 25 and closed October 2, was highly successful, attracting an attendance of 2,732,739 compared with 2,500,813 in 1948. The Fair was sponsored by 38 of the nation's leading railroads. The Pioneer Zephyr and other Burlington equipment appeared in the pageant "Wheels A-Rolling" which was presented four times daily before a total attendance of 1,449,954. The "Vacationland" exhibit, operated jointly by the Great Northern, Northern Pacific, and Burlington and featuring a rodeo, Old Faithful Geyser, and other Western attractions, again proved popular. Another attraction featuring Burlington equipment was the "Deadwood Central" narrow gauge intra-mural railroad operated by the Railroad Fair which carried 1,236,751 revenue passengers.

Government Litigation

The complaints against the railroads filed with the Interstate Commerce Commission by Government attorneys, seeking reparation for alleged unreasonable freight charges on shipments of war materials, mentioned in the Annual Reports for 1947 and 1948, are still pending. So, also, is the Sherman Anti-Trust Act suit against the western railroads filed by the Attorney General at Lincoln, Nebraska, on August 23, 1944. All of these proceedings are being contested.

Changes in Organization

The resolution adopted by the Board of Directors August 24, 1949, regarding the retirement of Mr. Ralph Budd as President is reproduced on the last page. Mr. Budd continues as a Director. Other officers who retired under the pension rules during 1949 were Mr. H. W. Johnson, Vice President and Comptroller, Mr. Karl Fischer, Vice President—Executive Department, and Mr. T. J. Thomas, Assistant to President.

September 1, 1949, Mr. H. C. Murphy, formerly Vice President—Operating Department, was elected President, after 35 years' service with the Company, Mr. J. C. James was elected Executive Vice President and General Counsel, after 35 years' service with the Company, Mr. S. L. Fee was elected Vice President—Operating Department, after 44 years' service with the Company, Mr. F. L. Kartheiser was appointed Assistant to President, after 40 years' service with the Company, and Mr. F. E. Sperry was appointed Assistant Vice-President — Operating Department, after 42 years' service with the Company.

December 1, 1949, Mr. A. W. Lavidge was elected Comptroller, after 44 years' service with the Company, and Mr. Ralph C. Smith was appointed General Auditor, after 36 years' service with the Company.

March 2, 1949, Mr. Ellsworth Moser, President of the United States National Bank of Omaha, was elected a Director of the Company.

It is with deep regret that the Directors record the death on January 10, 1949, of Mr. Herbert M. Bushnell, who was a Director since 1943 and a member of the Executive Committee since 1947.

The Company expresses appreciation for the effective services of its loyal officers and employes.

By order of the Board of Directors.

H. C. MURPHY, President.

COMPARATIVE STATEMENT OF INCOME, YEARS ENDED DECEMBER 31

(See Pages 28 to 30)

Percent of Ry. Oper. Revenue	1949	RAILWAY OPERATING REVENUES	1948	Percent of Ry. Oper. Revenue
82.48	$179,802,952.80	Freight	$199,341,245.05	82.59
8.17	17,818,680.67	Passenger	20,198,852.36	8.37
3.90	8,493,764.14	Mail	7,871,584.12	3.26
1.33	2,898,039.57	Express	4,363,241.88	1.81
1.83	3,998,676.24	All other transportation	4,323,920.29	1.79
1.89	4,111,388.25	Incidental	4,508,664.42	1.87
.40	873,006.15	Joint facility	756,142.64	.31
100.00	217,996,507.82	Total railway operating revenues	241,363,650.76	100.00
		RAILWAY OPERATING EXPENSES		
16.63	36,261,258.00	Maintenance of way and structures	37,260,443.72	15.44
17.62	38,419,337.89	Maintenance of equipment	34,365,641.65	14.24
2.35	5,130,763.90	Traffic	4,691,909.98	1.94
36.17	78,842,227.40	Transportation	83,366,308.10	34.54
1.37	2,957,253.03	Miscellaneous operations	2,892,220.88	1.20
2.59	5,654,808.58	General	5,311,485.26	2.20
76.73	167,265,648.80	Total railway operating expenses	167,888,009.59	69.56
23.27	50,730,859.02	Net revenue from railway operations	73,475,641.17	30.44
	10,772,527.71	Federal income taxes	21,475,252.32	
	5,919,572.63	Federal payroll taxes	5,934,106.24	
	9,500,147.81	All other taxes	8,502,688.95	
	26,192,248.15	Total taxes	35,912,047.51	
	24,538,610.87	Railway operating income	37,563,593.66	
	Dr. 3,086,403.70	Hire of equipment—Net	Dr. 3,161,313.02	
	Dr. 1,831,868.99	Joint facility rents—Net	Dr. 1,664,785.46	
	19,620,338.18	Net railway operating income	32,737,495.18	
		OTHER INCOME		
	1,112,960.64	Rentals	548,880.01	
	546,424.53	Dividends and interest	694,494.07	
	78,411.43	Miscellaneous	45,497.55	
	1,737,796.60	Total other income	1,288,871.63	
	21,358,134.78	Total income	34,026,366.81	
		DEDUCTIONS FROM TOTAL INCOME		
	32,229.12	Rents payable	30,093.30	
	88,976.26	Taxes on nonoperating property	82,072.23	
	6,353.48	Miscellaneous income charges	24,652.49	
	127,558.86	Total deductions	136,818.02	
	21,230,575.92	Income available for fixed charges	33,889,548.79	
		FIXED CHARGES		
	49,153.54	Rent for leased roads and equipment	50,968.78	
	5,688,368.48	Interest on funded debt	5,689,348.25	
	14,571.19	Interest on unfunded debt	9,821.86	
	58,990.86	Amortization of discount on funded debt	57,709.88	
	5,811,084.07	Total fixed charges	5,807,848.77	
	15,419,491.85	Net income after fixed charges	28,081,700.02	
		DISPOSITION OF NET INCOME		
	8,541,935.00	Dividend appropriations of income	11,958,709.00	
		Balance of income transferred to Earned		
	$ 6,877,556.85	Surplus	$ 16,122,991.02	

Operating Ratios

Operating Ratios

GENERAL BALANCE SHEET

December 31, 1949

ASSETS

INVESTMENTS:		
Road and equipment property		$735,469,620.71
Accrued depreciation — Road and Equipment	$132,878,127.58	
Accrued amortization of defense projects — Road and Equipment	40,147,231.43	173,025,359.01
Total investment road and equipment less depreciation and amortization		562,444,261.70
Capital and other reserve funds		569,638.75
Miscellaneous physical property		8,034,215.40
Investments in affiliated companies:		
Stocks	$ 26,987,067.62	
All other	11,241,493.63	38,228,561.25
Other investments:		
Stocks	$ 3,694,956.58	
Bonds	4,249,428.45	
All other	8,035.38	7,952,420.41
Total investments less depreciation and amortization		617,229,097.51
CURRENT ASSETS:		
Cash		28,730,598.18
Temporary cash investments		515,048.16
Special deposits		389,239.56
Traffic and car service balances — Dr		342,305.48
Net balance receivable from agents and conductors		3,508,188.82
Miscellaneous accounts receivable		6,630,303.01
Material and supplies		22,864,229.84
Interest and dividends receivable		8,679.71
Accrued accounts receivable		2,204,996.64
Other current assets		446,038.69
Total current assets		65,639,628.09
DEFERRED ASSETS:		
Working fund advances		122,875.92
Other deferred assets		650,150.96
Total deferred assets		773,026.88
UNADJUSTED DEBITS:		
Prepayments		434,314.47
Discount on funded debt		755,801.79
Other unadjusted debits		3,857,096.91
Total unadjusted debits		5,047,213.17
Grand Total		$688,688,965.65

GENERAL BALANCE SHEET

December 31, 1949

LIABILITIES

CAPITAL STOCK:		
Common stock — par value $100 per share		$170,839,100.00
LONG-TERM DEBT:		
Funded debt unmatured (Page 24):		
Total book liability	$334,228,000.00	
Less held by or for the company	181,872,900.00	152,355,100.00
Equipment obligations (Page 24)		29,858,686.32
Amounts payable to affiliated companies		123,275.41
Total long-term debt		182,337,061.73
CURRENT LIABILITIES:		
Audited accounts and wages payable		10,912,914.49
Miscellaneous accounts payable		3,585,751.40
Interest matured unpaid		112,782.44
Unmatured interest accrued		2,056,986.18
Accrued accounts payable		3,941,659.54
Taxes accrued		19,075,356.63
Other current liabilities		1,285,989.89
Total current liabilities		40,971,440.57
DEFERRED LIABILITIES:		
Other deferred liabilities		390,243.38
UNADJUSTED CREDITS:		
Premium on funded debt		447.02
Insurance reserves		1,392,996.20
Other unadjusted credits		1,374,836.06
Accrued depreciation — leased property		42,098.39
Total unadjusted credits		2,810,377.67
SURPLUS:		
Unearned surplus		265,612.19
Earned surplus — appropriated (Page 20)		48,025,460.10
Earned surplus — unappropriated (Page 20)		243,049,670.01
Total surplus		291,340,742.30
Grand Total		$688,688,965.65

COMPARATIVE STATEMENT OF UNAPPROPRIATED EARNED SURPLUS ACCOUNT, YEARS ENDED DECEMBER 31

	1949	1948	Increase	Decrease
CREDITS:				
Credit balance at beginning of year	$236,193,852.68	$219,949,468.07	$ 16,244,384.61	
Credit balance transferred from income	6,877,556.85	16,122,991.02		$ 9,245,434.17
Miscellaneous credits	75,179.29	199,242.65		124,063.36
Total	$243,146,588.82	$236,271,701.74	$ 6,874,887.08	
DEBITS:				
Miscellaneous debits	$ 96,918.81	$ 77,849.06	$ 19,069.75	
Credit balance carried to balance sheet	243,049,670.01*	236,193,852.68*	6,855,817.33	
Total	$243,146,588.82	$236,271,701.74	$ 6,874,887.08	

* Approximate application of Income included in Unappropriated Earned Surplus accumulative to December 31:

	1949	1948
Net working capital retained in the business	$ 32,781,263	$ 40,105,217
Invested in affiliated and non-affiliated companies	20,538,442	19,496,588
Expended in improving the Railroad plant	189,729,965	176,592,048
	$243,049,670	$236,193,853

Appropriated Surplus Income of $48,025,460 (page 19) was expended in retiring Funded Debt prior to year 1928.

INVESTMENT IN ROAD AND EQUIPMENT, YEAR 1949

Account	Additions and Betterments
Engineering	$ 162,168.18
Land for transportation purposes	Cr. 291,450.02
Other right-of-way expenditures	3,479.68
Grading	633,810.44
Tunnels and subways	3,965.70
Bridges, trestles and culverts	480,992.31
Ties	110,358.92
Rails	598,259.78
Other track material	742,041.22
Ballast	964,085.62
Track laying and surfacing	306,612.00
Fences, snow sheds and signs	1,500.66
Station and office buildings	750,741.36
Roadway buildings	118,557.78
Water stations	Cr. 102,738.06
Fuel stations	5,075.71
Shops and engine houses	111,136.24
Storage warehouses	Cr. 4,222.00
Wharves and docks	43,000.40
Telegraph and telephone lines	120,221.39
Signals and interlockers	838,689.92
Power plants	Cr. 16,650.90
Power transmission systems	77,383.05
Miscellaneous structures	55,436.28
Roadway machines	695,118.10
Roadway small tools	Cr. 102.49
Public improvements—Construction	165,444.50
Shop machinery	152,140.67
Power plant machinery	Cr. 51,515.23
Total expenditures for road	6,673,541.21
Steam locomotives	Cr. 82,380.99
Other locomotives	7,042,137.53
Freight-train cars	3,928,075.10
Passenger-train cars	1,597,627.29
Work equipment	2,953,527.60
Miscellaneous equipment	45,135.60
Total expenditures for equipment	15,484,122.13
Organization expenses	Cr. 871.31
General officers and clerks	Cr. 2,509.61
Law	Cr. 1,508.88
Stationery and printing	Cr. 172.88
Taxes	Cr. 1,243.97
Interest during construction	Cr. 55,265.68
Other expenditures—general	Cr. 943.80
Total general expenditures	Cr. 62,516.13
Grand total	$22,095,147.21

"Cr."—Credits due to retirements.

STATISTICS OF OPERATIONS

ITEMS	1949	1948
Average mileage of road operated	8,766.61	8,813.82
Actual miles road operated, end of year	8,873.16	8,713.70
TRAIN-MILES		
Freight	13,924,046	15,734,287
Passenger	12,422,513	13,091,187
Total transportation service	26,346,559	28,825,474
Work service	295,804	302,743
LOCOMOTIVE-MILES		
Freight	14,694,955	16,649,124
*Passenger	10,987,164	11,279,269
Train and yard switching	7,168,200	7,895,667
Total transportation service	32,850,319	35,824,060
Work service	774,956	814,280
CAR-MILES		
Loaded freight cars	549,031,903	627,088,806
Empty freight cars	304,202,940	351,930,309
Sum of loaded and empty	853,234,843	979,019,115
Caboose	13,608,467	15,402,962
Total freight cars	866,843,310	994,422,077
Coach and combination passenger cars	27,085,654	28,289,767
Sleeping and parlor	20,367,885	22,260,510
Club, lounge, dining and observation	9,266,810	9,392,986
Other	45,243,963	45,386,118
Total passenger cars	101,964,312	105,329,381
Total transportation service	968,807,622	1,099,751,458
Work service	1,991,827	2,358,090
FREIGHT SERVICE		
Tons—revenue freight	45,882,336	54,530,625
Tons—revenue and non-revenue freight	50,864,900	60,455,790
Ton-miles—revenue freight	15,250,053,912	18,357,883,561
Ton-miles—revenue and non-revenue freight	16,510,312,000	19,959,831,400
PASSENGER SERVICE		
Passengers carried—revenue	9,842,447	11,036,231
Passenger-miles—revenue	757,891,351	870,789,827

* Excludes mileage of combination motor passenger cars:

1949—1,648,056

1948—2,019,826

STATISTICS OF OPERATIONS—Continued

ITEMS	1949	1948
AVERAGES PER MILE OF ROAD		
Freight-train miles	1,595	1,815
Passenger-train miles	2,030	2,017
Transportation service train-miles	3,005	3,270
Transportation service locomotive-miles	3,747	4,065
Freight service car-miles	99,267	114,682
Passenger service car-miles	16,663	16,231
Freight revenue	$20,590.28	$22,989.15
Passenger service train revenue	$ 5,171.35	$ 5,102.15
Operating revenues	$24,866.68	$27,384.68
Operating expenses	$19,079.85	$19,048.27
Net operating revenue	$ 5,786.83	$ 8,336.41
Net railway operating income	$ 2,238.08	$ 3,714.34
Ton-miles—revenue freight	1,739,561	2,082,852
Ton-miles—all freight	1,883,318	2,264,606
Passenger-miles—revenue	86,452	98,798
AVERAGES PER TRAIN-MILE		
Loaded freight car-miles	39.43	39.85
Empty freight car-miles	21.85	22.37
Ton-miles—revenue freight	1,095.23	1,166.74
Ton-miles—all freight	1,185.74	1,268.56
Passenger train car-miles	8.20	8.05
Revenue passenger-miles	61.01	66.52
Freight revenue	$ 12.91	$ 12.67
Passenger service train revenue	$ 2.40	$ 2.53
Operating revenues	$ 8.27	$ 8.37
Operating expenses	$ 6.35	$ 5.82
Net operating revenue	$ 1.92	$ 2.55
AVERAGES PER LOADED FREIGHT CAR-MILE		
Ton-miles—revenue freight	27.78	29.27
Ton-miles—all freight	30.07	31.83
Freight revenue	$ .32749	$ .31788
AVERAGES PER CAR-MILE, PASSENGER		
Passenger-miles—revenue	16.31	17.64
Passenger revenue	$ .38443	$ .40923
MISCELLANEOUS AVERAGES		
Miles hauled—revenue freight	332.37	336.65
Miles hauled—non-revenue freight	252.93	270.82
Miles hauled—all freight	324.59	330.21
Miles carried—revenue passengers	77.00	78.90
Revenue per ton of freight	$ 3.91878	$ 3.65559
Revenue per ton-mile of freight	$ .01179	$ .01086
Revenue per passenger	$ 1.81039	$ 1.83023
Revenue per passenger-mile	$ .02351	$ .02320
Operating ratio	76.73	69.56

CAPITAL STOCK AND FUNDED DEBT

December 31, 1949

Class	Issued and Outstanding			Dividends declared and interest accrued during year
	Total	In treasury	In hands of public	
CAPITAL STOCK:				
Common, Par Value. $100 per share	$170,839,100	$	#$170,839,100	$8,541,935
FUNDED DEBT:				
General Mortgage 4% Bonds Due March 1, 1958	$178,414,000	‡$146,542,000	$ 31,872,000	$1,274,880
First and Refunding Mortgage Bonds:				
Series B 4½% due February 1, 1977	30,000,000	17,539,900	12,460,100	560,705
Series 1970 4½% due August 1, 1970	17,601,000	17,601,000	....	....
Series 1970 2⅞% due August 1, 1970	48,750,000	9,000	48,741,000	1,401,304
Series 1985 3⅛% due August 1, 1985	59,463,000	181,000	59,282,000	1,854,539
Total Bonds	$334,228,000	$181,872,900	$152,355,100	$5,091,428
Equipment Trust Obligations:				
Average Rate 2.17%	$ 12,220,000	....	$ 12,220,000	$ 248,775
Conditional Sale Contracts. Average Rate 1.86%	17,638,686	....	17,638,686	327,073
Total Funded Debt	$364,086,686	$181,872,900	$182,213,786 †	$5,667,276

#Capital Stock includes $400 scrip on which no dividends are paid.

‡Includes $145,735,000 pledged under First and Refunding Mortgage.

†Excludes interest on Collateral Trust Notes $16,250 and Conditional Sale Contract 3–8–41 $4,842—total $21,092 which matured in 1949.

Net increase in principal of bonds, collateral trust notes and equipment obligations during the year amounted to $4,919 (Page 25).

CHANGES IN CAPITAL LIABILITIES IN 1949

	Increase	Decrease
Bonds redeemed:		
First and Refunding 3⅛% Series of 1985	.....	$ 234,000
Principal of notes and Equipment Obligations retired:		
Collateral Trust Notes 1½% (1945-1949)	.....	2,000,000
Equipment Trust of 1944	.....	152,000
Equipment Trust of 1948	.....	482,000
Equipment Conditional Sale Contracts	.....	3,887,444
Equipment Obligations issued:		
Equipment Trust of 1949 — No. 1	$2,996,000	.....
Equipment Trust of 1949 — No. 2	1,957,000	.....
Equipment Conditional Sale Contracts	1,807,363	.....
	$6,760,363	$6,755,444
Net Increase	$ 4,919	.....

DESCRIPTION OF MORTGAGES

General Mortgage

This mortgage is a first lien on 7,715.93 miles of this Company's main and branch lines, including terminals, property and equipment appurtenant thereto, situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana.

This mortgage is also secured by deposit with the Trustee of 305,262 shares of the capital stock of The Colorado and Southern Railway Company.

No provision in mortgage for redemption of bonds. No additional bonds can be issued.

First and Refunding Mortgage

This mortgage is a lien on 8,194.37 miles of this Company's main and branch lines situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana, including terminals, property and equipment appurtenant thereto; subject to the prior lien of the General Mortgage on 7,715.93 miles, see above.

As further security for bonds issued under this mortgage, there are pledged $145,735,000 General Mortgage Bonds; also all right and title of this Company to the owned shares of capital stock, except Directors qualifying shares, of bridge, depot and terminal companies, the Davenport, Rock Island and North Western Railway Company, and The Colorado and Southern Railway Company, subject to prior lien of the General Mortgage on 305,262 shares.

Bonds issued under this mortgage may be redeemed at election of the Company on sixty days' notice, on any interest date, as follows:

Series B redeemable as a whole at 105 and accrued interest, February 1, 1952 to August 1, 1966; at 103 and accrued interest, February 1, 1967 to August 1, 1976.

Series of 1970 2⅞% Bonds may be redeemed as a whole or in part, on any interest payment date at 104⅞ August 1, 1949 to July 31, 1953. Thereafter premium reduces periodically to August 1, 1969, after which date callable at par; in each instance with accrued interest.

Series of 1985 may be redeemed as a whole or in part, on any interest date at 105 August 1, 1949 to July 31, 1953. Thereafter premium reduces periodically to August 1, 1982, after which date callable at par; in each instance with accrued interest.

An annual sinking fund of $248,825 for redemption of Series of 1970 2⅞% Bonds is payable to Trustee on or before May 1 each year, beginning May 1, 1946. For such redemption, prices are 102⅜ August 1, 1949 to July 31, 1953, reduced periodically to August 1, 1969, and thereafter at par; plus accrued interest in each instance.

An annual sinking fund of $325,000 together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year, is payable to the Trustee before May 1 in each year beginning May 1, 1946, for redemption of the Series of 1985 Bonds. Redemption prices are 102¼ August 1, 1949 to July 31, 1953, with periodical reductions to August 1, 1982, and par thereafter; plus accrued interest in each case.

MILEAGE

	Miles of Road	Second Track	Third Track	Fourth Track	Yard Tracks and Sidings*	Total
Owned						
Colorado	392.77	.52			180.46	573.75
Illinois	1,615.02	387.10	40.94	5.43	1,063.04	3,111.53
Iowa	1,016.49	249.39			289.74	1,555.62
Kansas	217.26				23.02	240.28
Minnesota	23.09	2.71			39.55	65.35
Missouri	1,157.11	114.51			420.84	1,692.46
Montana	134.52				49.99	184.51
Nebraska	2,674.88	29.31			800.14	3,504.33
South Dakota	168.16				55.41	223.57
Wisconsin	220.25	214.17			64.53	498.95
Wyoming	677.74				223.32	901.06
Total*	8,297.29	997.71	40.94	5.43	3,210.04	12,551.41
Operated under lease or contract	575.87	128.06	.76	.76	447.15	1,152.60
Grand Total*	8,873.16	1,125.77	41.70	6.19	3,657.19	13,704.01

*Includes yard tracks and sidings owned but not operated as follows:

Illinois 1.11 miles; Iowa .71 mile; Nebraska .27 mile; total 2.09 miles.

EQUIPMENT IN SERVICE

DESCRIPTION	Number on Dec. 31, 1948	Number Added During Year	Number Retired During Year	Number on Dec. 31, 1949	Average tractive power all locomotives and average capacity all freight cars
Locomotives—Steam	744	.....	5	739	.....
—Diesel Road	228	19	.....	247	.....
—Diesel Switch	119	27	.....	146	.....
—Gas-Electric	3	.....	.....	3	.....
Total locomotives	1,094	46	5	1,135	55,601 Lbs.
Freight-train cars:					
Box	22,541	150	1,057	21,634	.....
Flat	1,392	.....	47	1,345	.....
Stock	3,083	501	10	3,574	.....
Gondola and Hopper	16,616	461	411	16,666	.....
Caboose	608	.....	8	600	.....
All classes of freight-train cars	44,240	1,112	1,533	43,819	48.02 Tons
Passenger-train cars:					
Coaches	298	.....	25	273	.....
Combination coach	43	4	1	46	.....
Parlor	2	2	.....	4	.....
Sleeping	19	.....	6	13	.....
Dining	36	.....	1	35	.....
Club, lounge and observation	14	.....	.....	14	.....
Postal	23	.....	.....	23	.....
Baggage, express and other nonpassenger	645	9	61	593	.....
Total	1,080	15	94	1,001	.....
Passenger rail motor cars:					
Combination coach	16	.....	.....	16	.....
Other passenger-train rail motor	15	.....	1	14	.....
Total	31	.....	1	30	.....
Articulated Zephyr trains	7	.....	.....	7	.....
Cars in articulated trains:‡					
Coaches	12	.....	.....	12	.....
Combination coach	15	.....	.....	15	.....
Parlor and sleeping	4	.....	.....	4	.....
Other passenger-train	11	.....	.....	11	.....
Total	42	.....	.....	42	.....
All classes of passenger-train cars	1,153	15	95	1,073	.....
Company service cars:					
Officers' and business	16	.....	.....	16	.....
Ballast	1,257	285	36	1,506	.....
Derrick	3	.....	.....	3	.....
Wrecking	19	.....	.....	19	.....
Other company service	3,373	320	132	3,561	.....
All classes of company service cars	4,668	605	168	5,105	.....
All classes of cars in service	50,061	1,732	1,796	49,997	.....

OWNED EQUIPMENT LEASED

DESCRIPTION	Number Under Lease on Dec. 31, 1948	Number Leased During Year	Number Withdrawn from Lease During Year	Number Under Lease on Dec. 31, 1949
Diesel-electric locomotive†	1	.....	.....	1
Freight-refrigerator cars*	1,613	298	82	1,829
Freight-stock cars§	189	.....	1	188
Freight-flat cars§	10	.....	.....	10
Passenger-refrigerator cars*	29	.....	.....	29
Zephyr train-cars†	5	.....	.....	5
Sleeping cars#	30	46	1	75

‡ 8 cars not articulated.
† Leased to Burlington-Rock Island Railroad Co.
* Leased to Burlington Refrigerator Express Co.
§ Leased to Fort Worth and Denver City Ry. Co.
#Leased to Pullman Co. (8 cars articulated).

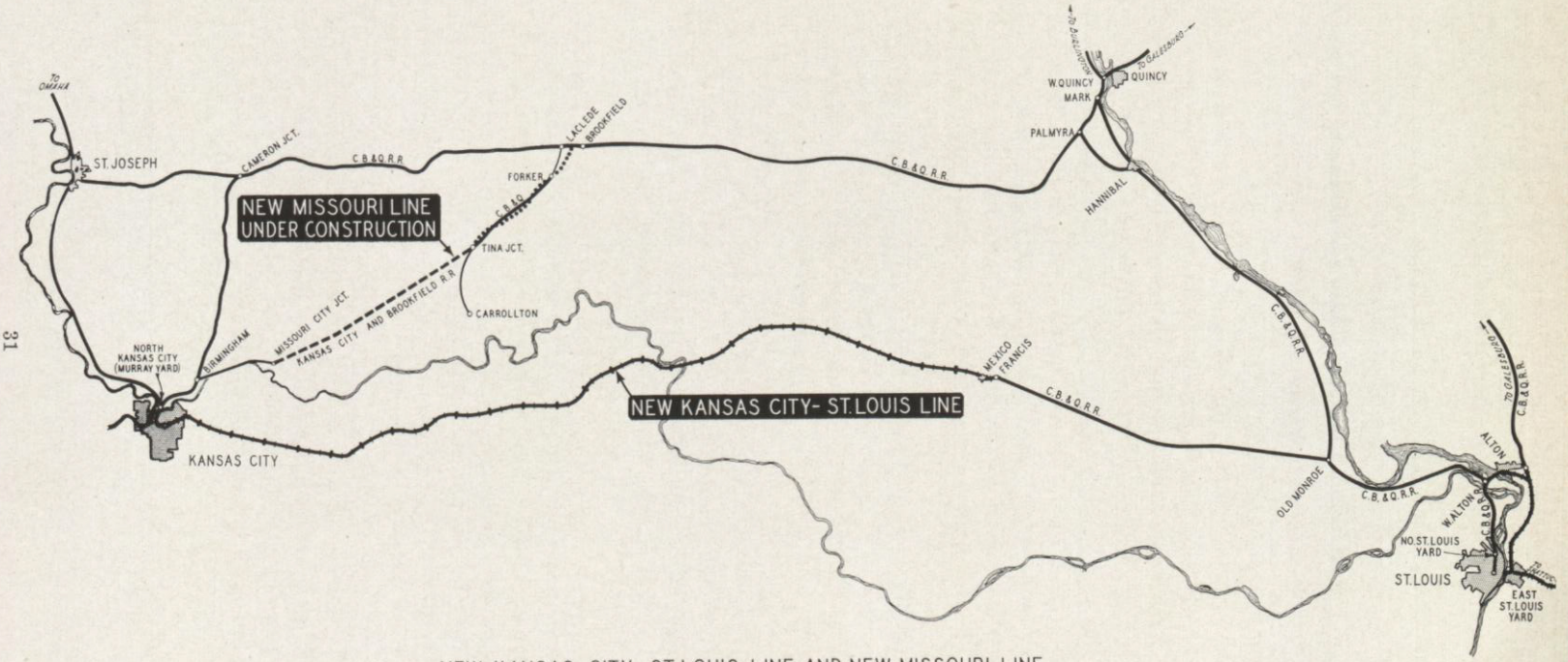
COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31

	1949	1948	Increase	Decrease
RAILWAY OPERATING REVENUES—				
TRANSPORTATION:				
Freight	$179,802,952.80	$199,341,245.05		$ 19,538,292.25
Passenger	17,818,680.67	20,198,852.36		2,380,171.69
Baggage	48,462.84	44,129.58	$ 4,333.26	
Parlor and chair car	117,091.64	127,378.10		10,286.46
Mail	8,493,764.14	7,871,584.12	622,180.02	
Express	2,898,039.57	4,363,241.88		1,465,202.31
Other passenger-train	155,955.04	241,853.70		85,898.66
Milk	245,246.93	262,422.12		17,175.19
Switching	3,431,919.79	3,648,136.79		216,217.00
Total	$213,012,113.42	$236,098,843.70		$ 23,086,730.28
INCIDENTAL:				
Dining and buffet	$ 1,866,528.12	$ 1,875,150.66		$ 8,622.54
Station and train privileges	68,488.85	78,768.17		10,279.32
Parcel room	1,980.05	2,440.69		460.64
Storage—Freight	26,212.44	41,998.86		15,786.42
Storage—Baggage	5,980.35	6,238.79		258.44
Demurrage	432,313.97	681,838.97		249,525.00
Telegraph and telephone	168,193.58	190,939.82		22,746.24
Power	6,987.79	24,078.44		17,090.65
Rents of buildings and other property	263,503.91	235,279.53	$ 28,224.38	
Miscellaneous	1,271,199.19	1,371,930.49		100,731.30
Total	$ 4,111,388.25	$ 4,508,664.42		$ 397,276.17
Joint facility—Cr.	$ 881,217.52	$ 762,401.55	$ 118,815.97	
Joint facility—Dr.	Dr. 8,211.37	Dr. 6,258.91		$ 1,952.46
Total	$ 873,006.15	$ 756,142.64	$ 116,863.51	
Total railway operating revenues	$217,996,507.82	$241,363,650.76		$ 23,367,142.94

RAILWAY OPERATING EXPENSES—				
Maintenance of way and structures	$ 31,866,276.43	$ 32,596,190.19	.....	$ 729,913.76
Maintenance of equipment	29,295,830.48	26,298,715.48	$ 2,997,115.00	.....
Traffic	5,130,763.90	4,691,909.98	438,853.92	.....
Transportation	78,842,227.40	83,366,308.10	.....	4,524,080.70
Miscellaneous operations	2,957,253.03	2,892,220.88	65,032.15	.....
General	5,654,808.58	5,311,485.26	343,323.32	.....
Railway operating expenses—excluding depreciation, retirements and amortization	$153,747,159.82	$155,156,829.89	.....	$ 1,409,670.07
Depreciation, Retirements and Amortization—				
Road Property	4,394,981.57	4,664,253.53	.....	269,271.96
Equipment	9,123,507.41	8,066,926.17	$ 1,056,581.24	.....
Total railway operating expenses	$167,265,648.80	$167,888,009.59	.....	$ 622,360.79
Operating Ratio (For Operating Ratios by general accounts see Page 17)	76.73	69.56	7.17	.....
Net revenue from railway operations	$ 50,730,859.02	$ 73,475,641.17	.....	$ 22,744,782.15
Railway tax accruals	$ 26,192,248.15	$ 35,912,047.51	.....	$ 9,719,799.36
Railway operating income	$ 24,538,610.87	$ 37,563,593.66	.....	$ 13,024,982.79
RENT INCOME				
Rent from equipment	$ 641,712.10	$ 666,564.32	.....	$ 24,852.22
Joint facility rent income	664,450.41	752,831.44	.....	88,381.03
Total rent income	$ 1,306,162.51	$ 1,419,395.76	.....	$ 113,233.25
RENTS PAYABLE				
Rent for equipment	$ 3,728,115.80	$ 3,827,877.34	.....	$ 99,761.54
Joint facility rents	2,496,319.40	2,417,616.90	$ 78,702.50	.....
Total rents payable	$ 6,224,435.20	$ 6,245,494.24	.....	$ 21,059.04
Net rents	Dr. $4,918,272.69	Dr. $4,826,098.48	$ 92,174.21	.....
Net railway operating income	$ 19,620,338.18	$ 32,737,495.18	.....	$ 13,117,157.00

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31—Continued

	1949	1948	Increase	Decrease
Other Income				
Income from lease of road and equipment	$ 427,726.10	$ 5,597.50	$ 422,128.60	
Miscellaneous rent income	516,747.58	509,298.88	7,448.70	
Miscellaneous nonoperating physical property	168,486.96	33,983.63	134,503.33	
Separately operated properties—profit	38.91	4,371.48		$ 4,332.57
Dividend income	257,696.80	272,901.80		15,205.00
Income from funded securities	198,377.56	224,631.21		26,253.65
Income from unfunded securities and accounts	90,350.17	196,961.06		106,610.89
Release of premiums on funded debt	21.72	447.05		425.33
Miscellaneous income	78,350.80	40,679.02	37,671.78	
Total other income	$ 1,737,796.60	$ 1,288,871.63	$ 448,924.97	
Total income	$ 21,358,134.78	$ 34,026,366.81		$ 12,668,232.03
Miscellaneous Deductions from Income				
Miscellaneous rents	$ 32,229.12	$ 30,093.30	$ 2,135.82	
Miscellaneous tax accruals	88,976.26	82,072.23	6,904.03	
Miscellaneous income charges	6,353.48	24,652.49		$ 18,299.01
Total miscellaneous deductions	$ 127,558.86	$ 136,818.02		$ 9,259.16
Income available for fixed charges	$ 21,230,575.92	$ 33,889,548.79		$ 12,658,972.87
Fixed Charges				
Rent for leased roads and equipment	$ 49,153.54	$ 50,968.78		$ 1,815.24
Interest on funded debt	5,688,368.48	5,689,348.25		979.77
Interest on unfunded debt	14,571.19	9,821.86	$ 4,749.33	
Amortization of discount on funded debt	58,990.86	57,709.88	1,280.98	
Total fixed charges	$ 5,811,084.07	$ 5,807,848.77	$ 3,235.30	
Net income after fixed charges	$ 15,419,491.85	$ 28,081,700.02		$ 12,662,208.17
Dividend appropriations of income	$ 8,541,935.00	$ 11,958,709.00		$ 3,416,774.00
Balance of income transferred to Earned Surplus	$ 6,877,556.85	$ 16,122,991.02		$ 9,245,434.17



NEW KANSAS CITY - ST. LOUIS LINE AND NEW MISSOURI LINE

SEE PAGE 11

Resolution Adopted by Board of Directors

August 24, 1949

RESOLVED: That this Board express to Mr. Ralph Budd, for the Company, for the members of the Board, and for all other officers, our sincere gratitude for his outstanding services as President during the last seventeen years.

The enviable record of the Company for one hundred years reflects the concerted efforts of a great many able men devoted to its service. Without disparagement of any of them, history will record three outstanding leaders — John M. Forbes, James J. Hill, and Ralph Budd. Mr. Budd became President at a time of severe business depression and bankruptcy of many railroads. His confidence in the Burlington and the country, and his vision, courage, and wise leadership, guided the Company through the depression, the World War, and the aftermath of political and social unrest. He brought the Company to an outstanding position, in plant and equipment, in earning power, in financial strength and credit, and in relations with the public and with other railroads.

His great qualities of mind and character inspired respect and admiration. His modesty, kindness and patience endeared him to his associates and subordinates. Recognized as a leader in the railroad industry, as well as in other fields, and strong in mind and body, Mr. Budd has voluntarily determined to retire to be consistent with the rules which he established.

The Directors who have been privileged to serve and work with Mr. Budd feel a keen sense of personal loss in his retirement, alleviated in part by his willingness to continue as a member of this Board.

RALPH BUDD

Director since October 13, 1916

President — January 1, 1932 to August 31, 1949

Burlington
Route